

Nebraska and Local Sales Tax

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For more information, check our
Web site: www.revenue.ne.gov



This information guide provides an overview of Nebraska and local sales tax. It is not designed to answer all questions which might arise, but it is intended to enable a person to become familiar with the main provisions of this program.

Overview

Nebraska sales tax is due on the gross receipts from retail sales in Nebraska unless a specific exemption applies. The tax is imposed on the transaction called the “sale” rather than on the item sold. Sales tax is collected by the retailer from the consumer, and remitted by the retailer to the state.

In addition to state sales tax, cities and counties in Nebraska may impose a local option sales tax at a rate of one-half of one percent, one percent, or one and one-half percent. Local sales tax is imposed and collected in the same manner as state sales tax.

Definitions

Retail Sale. A retail sale is the sale of goods or taxable services for consideration to the end user when the sale occurs, or the taxable service is performed, in Nebraska. Retail sales also include the lease or rental of tangible personal property.

Retailer. A retailer is any seller, whether a business or individual, who is engaged in the business of making retail sales.

A retailer also includes contractors performing construction services on taxable labor projects. More information for contractors can be found in the information guide titled, “Nebraska Taxation of Contractors — General Information.”

Retailers’ Responsibilities

Permits. Retailers meeting **any** of the following criteria are engaged in business in this state and **must** obtain a sales tax permit:

- Maintaining or occupying an office or place of business in this state;
- Having any representative or solicitor in this state for the purposes of selling, delivering, or taking orders;
- Deriving rental receipts from a lease of property;
- Soliciting retail sales from residents of this state on a continuous or systematic basis through the media;
- Being owned or controlled by an entity which owns or controls a retailer in this state; and
- Maintaining or having a franchisee or licensee who is a retailer in this state.

A separate permit is required for each retail location. Application for the permit is made on a Nebraska Tax Application, Form 20. A separate local sales tax permit is not required. Form 20 is available on our Web site.

Collecting the Tax. Retailers must collect the state and applicable local sales tax on the “**Gross Receipts**” of all retail sales unless a specific exemption applies. When collecting the tax, retailers are agents of the state, and the tax collected is a **trust fund** owned by the State of Nebraska. Therefore, it is recommended that sales tax collected be separated from other business receipts and deposited in a separate account.

Gross receipts are the total amount of the sale, lease, or rental price without deduction for the cost of the property sold, labor or service costs, interest paid, or any other expenses.

Gross receipts do not include any cash discounts allowed, trade-in allowances, or finance charges from the retailer.

Nebraska sales tax and applicable local sales tax must be collected by the retailer on the gross receipts from the following sales, unless a specific exemption applies. The applicable sales tax regulation is noted in parentheses:

- ✓ Tangible personal property (1-007);
- ✓ Production, assembly, repair and installation labor charges (1-082);
- ✓ Utilities (1-066 and 1-089);
- ✓ Telephone service (1-065);
- ✓ Admissions (1-044);
- ✓ Freight or delivery charges including postage, crating, packing, and shipping and handling charges collected by the retailer (1-079);
- ✓ Hotel accommodations (1-046);
- ✓ Warranties, guarantees, and maintenance agreements (1-074);
- ✓ Installation or furnishing of satellite programming and cable television (1-045 and 1-081);
- ✓ Mobile telecommunications services, which includes paging services and two-way radio service; and
- ✓ Computer software (1-088).

In addition, the gross receipts from the following services are subject to sales tax:

- Computer software training when charges for the training are paid to the retailer who sold the software (1-088);
- Building cleaning and maintenance services (1-098);
- Pest control services (1-100);
- Security services (1-101);
- Motor vehicle washing and waxing (1-099);
- Motor vehicle painting (1-099);
- Motor vehicle towing (1-099);
- Installation and application labor when the sale of the property installed or applied is subject to tax (1-082);
- Recreational vehicle park services (1-103);
- Animal specialty services (1-102);
- Detective services (1-101);
- Repair or maintenance services to personal property (except licensable motor vehicles) (1-082); and
- Construction services performed on taxable labor projects (1-017).

Information notices are available which describe each of these taxable services in more detail. Please check our Web site at www.revenue.ne.gov for additional information on these new services.

More detailed information regarding the taxability of construction services performed on taxable labor projects is available in the information guide titled, “Nebraska Taxation of Contractors — General Information.”

Even though charges for certain services are taxable, service providers are the consumer’s of all items they use to render their

services. As the consumer, service providers **MUST** pay the appropriate tax on their cost of any items used or consumed to render their services.

Remitting the Tax. Retailers remit the sales tax collected on a Nebraska and Local Sales and Use Tax Return, Form 10. Returns are due monthly, quarterly, or annually, depending on the amount of state tax collected during the course of the year.

More detailed information regarding the filing of Form 10 is in the Nebraska and Local Sales and Use Tax Return, Form 10, Information Guide.

Out-of-state Retailers (Non-nexus Sellers). Out-of-state retailers engaged in business in Nebraska are required to obtain a Nebraska sales tax permit. Out-of-state retailers who do not meet any of the criteria listed under the “Permits” section of this guide, are not required to obtain a sales tax permit. However, as a service to their customers, they may obtain a sales tax permit and collect and remit Nebraska and local sales tax in the same manner as all other licensed retailers.

Exemptions

Certain sales are not subject to tax. Please refer to Nebraska Sales and Use Tax Regulation 1-012, Exemptions, for a complete list of exempt transactions. Exempt sales are divided into the following four groups:

1. Entity-based exemption due to the nature of the seller.
Example: schools serving meals to students.
2. Product-based exemption.
Examples: gasoline and prescription medicines.
3. Entity-based exemption due to nature of the purchaser.
Examples: certain governmental entities and religious organizations.
4. Use-based exemption.
Examples: purchases for resale, or feed and water for cattle.

Documenting Exempt Sales. Sales on which sales tax is not collected **must be supported** by a properly completed Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption, Form 13; or documentation indicating that the item was shipped out of Nebraska, sold to the federal government, or is a product-based exemption.

Retailers must keep the Form 13 or other supporting documentation in their files for at least three years from the date of the sale.

Consumer’s Use Tax

When taxable purchases are made from a retailer who did not collect the Nebraska and applicable local sales tax, the consumer must pay use tax directly to the department. Both individuals and businesses may be responsible for the tax. Additional information on consumer’s use tax is available in the Consumer’s Use Tax Information Guide which may be requested from the department or found on our Web site.

Taxpayer Services. For additional information, please contact the Nebraska Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818, or call 1-800-742-7474 (toll free in NE and IA) or 1-402-471-5729.